

December 22, 2014

Natural Gas Trends

Highlights

Modest Storage pull flips deficit to surplus

A relatively modest withdrawal from US natural gas storage flipped the deficit to last year's storage stocks to a surplus, data released by the Energy Information Administration indicated Thursday. EIA said US gas in storage fell 64 Bcf to 3,295 Tcf for the week that ended December 12. The net withdrawal was at the high end of the range of consensus expectations for a pull between 60 Bcf and 64 Bcf. EIA reported a 256 Bcf withdrawal last year, while the five-year average is a 157 Bcf draw. Stocks are now 6 Bcf higher than last year at this time and 258 Bcf below the five-year average of 3,553 Tcf.

In the East Region, stocks were 162 Bcf below the five-year average following net withdrawals of 55 Bcf. Stocks in the Producing Region were 83 Bcf below the five-year average of 1,182 Bcf after a net withdrawal of 10 Bcf. Stocks in the West Region were 13 Bcf below the five-year average after a net addition of 1 Bcf. At 3,295 Tcf, total working gas is within the five-year historical range.

Analysts said that despite the EIA's number coming in above consensus expectations, Thursday's withdrawal was still relatively paltry when compared with the robust pulls from storage seen last December.

Estimated working gas in storage (in Bcf)

(week ending December 12)

	This Week	Last Week	Change
Consuming Region East	1,725	1,780	-55
Consuming Region West	471	470	1
Producing Region	1,099	1,109	-10
Total U.S.	3,295	3,359	-64

	This Week	Prior 5-Year	Average
Consuming Region East	1,702	1,887	
Consuming Region West	458	484	
Producing Region	1,129	1,182	
Total U.S.	3,289	3,553	

Source: Energy Information Administration

"It was still extremely bearish by historical standards, especially compared to the record-setting withdrawal that we saw last year for the same week," said Bentek Energy analyst Jeff Moore.

Nevertheless, Moore cited as "fairly significant" the move from a year-ago storage deficit to a surplus. "We weren't necessarily expecting it to happen by the end of this year, but it's already happened," he said. "The mild weather so far in the first couple of weeks of December has really helped us out to erase the deficit and obviously production is at record levels and continues to grow. So, we're leaning on storage a little less lately," Moore said.

Kyle Cooper, an analyst with IAF Advisors, said last week's 64-Bcf withdrawal "pales in comparison" to the withdrawal for the same week of last year. He added that the market has already factored in the switch from a deficit to last year's storage level to a surplus.

Source: Platts Gas Daily

Data

- January 2015 Natural Gas Futures Contract (as of December 19), NYMEX at Henry Hub closed at \$3.464 per million British thermal units (MMBtu)
- January 2015 Light, Sweet Crude Oil Futures Contract WTI (as of December 19), closed at \$56.52 per U.S. oil barrel (Bbl.) or approximately \$9.74 per MMBtu

Last week: Texas warmer than normal

For the week beginning 12/14/14 and ending 12/20/14, heating degree days (HDD) were lower than normal (warmer) for the week and for the year to date for most Texas cities shown.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 12/20/14	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	172	-29	1212	-16%
Austin	71	-23	517	7%
DFW	106	-25	671	-6%
El Paso	131	-13	608	-31%
Houston	42	-43	355	-21%
SAT	39	-51	347	-26%
Texas**	73	-36	563	-7%
U.S.**	162	-26	1365	-4%

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated.
** State and U.S. degree days are population-weighted by NOAA.

-999 = Normal Less Than 100 or Ratio Incalculable

Last week: U.S. natural gas storage at 3,295 Bcf

For the week ending 12/12/2014 working gas in storage decreased from 3,359 Bcf to 3,295 Bcf. This represents a decrease of 64 Bcf from the previous week. Stocks were 6 Bcf higher than last year at this time and 258 Bcf below the 5 year average of 3,553 Bcf.

Source: <http://ir.eia.doe.gov/ngs/ngs.html>

U.S. WORKING GAS IN STORAGE				
Region	Week ending 12/12/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,725	1,780	-55	-8.6%
West	471	470	1	-2.7%
Producing	1,099	1,109	-10	-7.0%
Lower 48 Total	3,295	3,359	-64	-7.3%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count down for the week

The gas rig count for the U.S. was down eight for the week but was down 34 when compared to twelve months ago. The total rig count for the U.S. was down 18 from last week and up 107 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

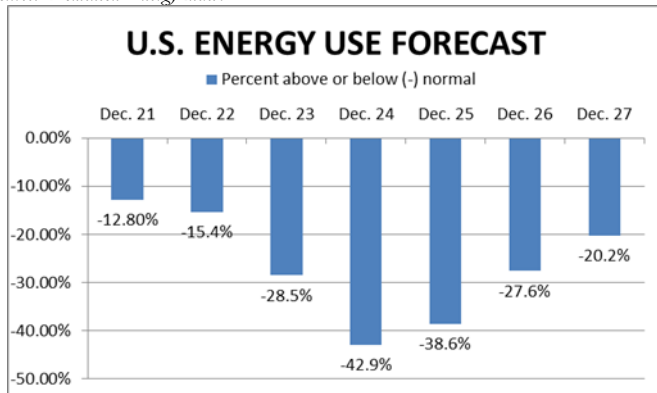
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 12/19/2014	+/- prior week	Year ago	+/- year ago
Texas	868	-4	845	23
U.S. gas	338	-8	372	-34
U.S. oil	1536	-10	1395	141
U.S. total	1875	-18	1768	107
Canada	391	-40	398	-7

This week: U.S. energy use below normal

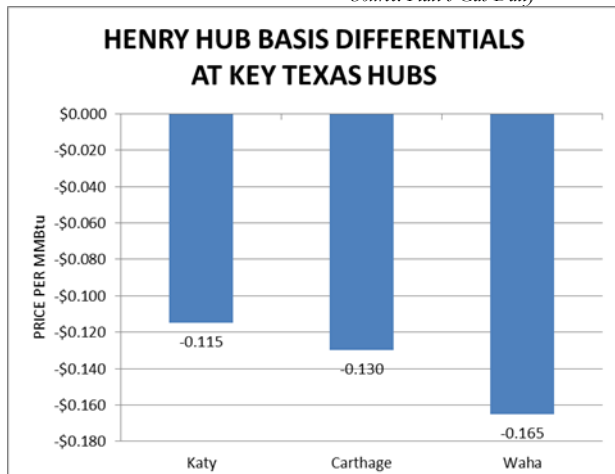
U.S. energy use is predicted to be below normal this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

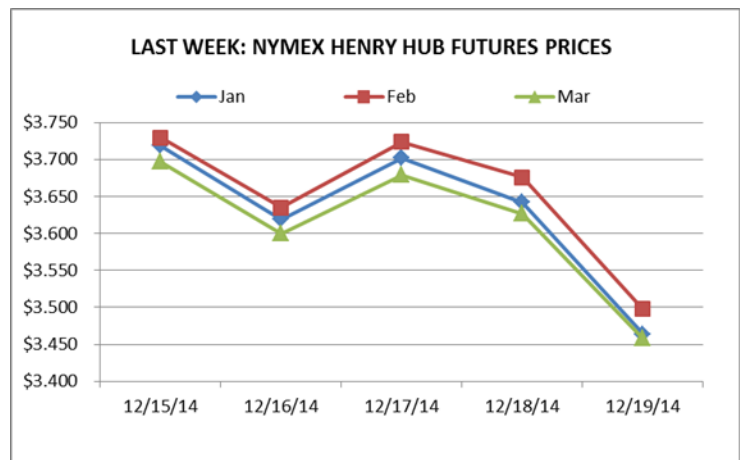
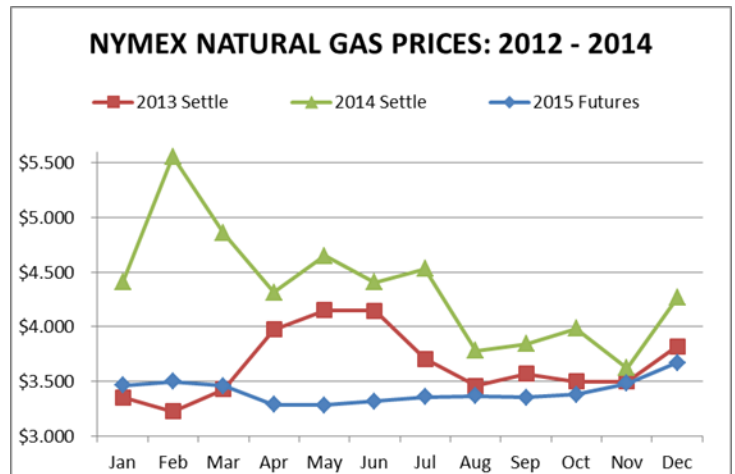
**Basis ranged from -\$0.115 to -\$0.165 cents**

Gas basis at key Texas hub markets is shown below and at right as the spot market cash price minus the Henry Hub as of last Friday.

Source: Platt's Gas Daily



2014 prices. Natural gas prices for 2014, shown below in green, are the NYMEX settlement prices for Jan. - Dec. and futures prices, shown in blue, for 2015.

**NATURAL GAS PRICE SUMMARY AS OF 12/19/2014**

This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
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US Jan. futures

NYMEX	\$3.464	-\$0.331	-\$2.093	\$3.757
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